

**REPORT OF THE AUDIT OF THE
GREEN COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES**

April 28, 2006



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GREEN COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES

April 28, 2006

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2005 Taxes for the Green County Sheriff as of April 28, 2006. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,358,253 for the districts for 2005 taxes, retaining commissions of \$97,327 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,260,301 to the districts for 2005 Taxes. Taxes of \$392 are due to the districts from the Sheriff.

Report Comments:

The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Mary Ann Blaydes Baron, Green County Judge/Executive

Honorable Tim Stumph, Green County Sheriff

Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the Green County Sheriff's Settlement - 2005 Taxes as of April 28, 2006. This tax settlement is the responsibility of the Green County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Green County Sheriff's taxes charged, credited, and paid as of April 28, 2006, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Mary Ann Blaydes Baron, Green County Judge/Executive

Honorable Tim Stumph, Green County Sheriff

Members of the Green County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

August 3, 2007

GREEN COUNTY
TIM STUMPH, SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES

April 28, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 263,292	\$ 451,740	\$ 899,580	\$ 319,363
Tangible Personal Property	14,031	26,736	49,887	34,264
Intangible Personal Property				19,089
Fire Protection	803			
Increases Through Exonerations	2,604	4,471	8,900	4,376
Franchise Taxes:				
Billed	54,457	101,799	192,326	
Unbilled	2,306	4,610	8,573	
Additional Billings	365	642	1,259	612
Oil and Gas Property Taxes	64	109	218	77
Limestone, Sand and Mineral Reserves	70	120	240	85
Penalties	2,360	4,041	8,047	2,988
Adjusted to Sheriff's Receipt	280	(187)	(380)	(149)
Gross Chargeable to Sheriff	<u>340,632</u>	<u>594,081</u>	<u>1,168,650</u>	<u>380,705</u>
<u>Credits</u>				
Exonerations	5,983	10,927	20,923	12,070
Discounts	3,868	6,630	13,163	5,092
Delinquents:				
Real Estate	3,998	6,853	13,640	4,843
Tangible Personal Property	219	421	781	915
Unbilled Franchise Taxes	2,306	4,610	8,573	
Total Credits	<u>16,374</u>	<u>29,441</u>	<u>57,080</u>	<u>22,920</u>
Taxes Collected	\$ 324,258	\$ 564,640	\$ 1,111,570	\$ 357,785
Less: Commissions *	<u>14,068</u>	<u>23,303</u>	<u>44,463</u>	<u>15,493</u>
Taxes Due	310,190	541,337	1,067,107	342,292
Taxes Paid	310,155	541,144	1,066,749	342,253
Refunds (Current and Prior Year)	<u>32</u>	<u>54</u>	<u>108</u>	<u>39</u>
Due Districts as of Completion of Audit	<u>\$ 3</u>	<u>** \$ 139</u>	<u>\$ 250</u>	<u>\$ 0</u>

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
TIM STUMPH, SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES
April 28, 2006
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	958,909
4% on	\$	1,389,344

** Special Taxing Districts:

Library District	\$	22
Health District		16
Extension District		22
Ambulance		79
		<hr/>

Due Districts	\$	<u>139</u>
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GREEN COUNTY
NOTES TO FINANCIAL STATEMENT

April 28, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 28, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
April 28, 2006
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 2, 2005 through April 28, 2006.

Note 4. Interest Income

The Green County Sheriff earned \$1,360 as interest income on 2005 taxes. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

Note 5. Sheriff's 10% Add-On Fee

The Green County Sheriff collected \$12,993 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Green County Sheriff collected \$220 of advertising costs and \$1,195 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mary Ann Blaydes Baron, Green County Judge/Executive
Honorable Tim Stumph, Green County Sheriff
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Green County Sheriff's Settlement - 2005 Taxes as of April 28, 2006, and have issued our report thereon dated August 3, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Green County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The following reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Green County Sheriff's Settlement - 2005 Taxes as of April 28, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Green County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 3, 2007

COMMENT AND RECOMMENDATION

GREEN COUNTY
TIM STUMPH, SHERIFF
COMMENT AND RECOMMENDATION

As of April 28, 2006

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties over receipts and disbursements. Due to the entity's diversity of official operations, small size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties. We recommend the Sheriff implement the compensating controls noted below to offset this internal control weakness:

- The Sheriff should compare daily bank deposits prepared by another employee with the daily tax collection totals and then compare the daily checkout sheet the receipts ledger. Any differences should be reconciled. The Sheriff could document his comparisons by initialing the bank deposit, daily tax collection report, and receipts ledger.
- The Sheriff should compare the monthly tax reports to receipts and disbursements ledger. Any differences should be reconciled. This could be documented by initialing the monthly tax reports, receipts ledger, and disbursements ledger.
- The Sheriff should recount and deposit the cash daily. This could be documented by initialing the bank deposit slip.
- The Sheriff should perform surprise cash counts.
- The Sheriff should examine tax distribution checks prepared by another employee and agree to monthly tax reports. This could be documented by signing the monthly tax reports and checks.
- The Sheriff should deliver tax distribution checks and monthly tax reports to taxing districts. The Sheriff should receive a signed receipt documenting delivery.
- The Sheriff should review the bank reconciliation prepared by another employee and compare to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: No Response.

